

# Appendix A - State Cost Principles

This section provides key contact audit personnel from the respective states. Individuals should be contacted for specific detailed limits and/or guidelines. Contact information is also available in the AASHTO, Administrative Subcommittee on Internal and External Audit, Membership Directory (August 2000).

State	Audit Contact Person	Phone Number	
Alabama	C. Lamar McDavid	334-242-6359	
Alaska	Robert W. Janes	907-465-2080	
Arizona	Michael Schwartz	602-712-7334	
Arkansas	Leonard E. Grinstead	501-569-2516	
California	Diane C. Eidam	916-653-8899	
Colorado	Casey Tighe	303-757-9661	
Connecticut	William P. Scholl	860-594-2181	
Delaware	Robert Uhle	302-760-2055	
Florida	Cecil T. Bragg	850-488-2501	
Georgia	Jerry M. Satterfield	404-656-5247	
Hawaii	Bert Nishimura	808-587-2133	
Idaho	Carolyn A. Rosti	208-334-8834	
Illinois	David G. Campbell	217-782-7427	
Indiana	Jerry Grant	317-232-5321	
Iowa	Tom Devine	515-239-1625	
Kansas	Dale Jost	785-296-3545	
Kentucky	Mike Coffey	502-564-6830	
Louisiana	J. Preston Perilloux	225-237-1313	
Maine	Richard Alessandro	207-287-2902	
Maryland	Joseph Lambdin	410-865-1165	
Massachusetts	Michael J. Byrne	617-973-7411	
Michigan	Jerry J. Jones	517-373-2384	
Minnesota	Ronald W. Gipp	651-296-3254	
Mississippi	P. Diane Gavin	601-359-7500	
Missouri	Donna Ruder	573-526-1244	
Montana	J. Dennis Sheehy	406-444-6343	
Nebraska	Jim Dietsch	402-479-4558	
Nevada	Bob Dimmick	775-888-7007	
New Hampshire	Douglas S. Rowden	603-271-1557	
New Jersey	Timothy Maloney	609-530-2343	
New Mexico	Mike R. Miera	505-827-3751	
New York	Thomas J. Goodfellow	518-457-3180	

North Carolina	Todd Jones	919-733-3624
North Dakota	Roberta L. Keller	701-328-2486
Ohio	Sam Kelley	614-644-6395
Oklahoma	John K. Parker	405-521-2511
Oregon	Dan Motley	503-986-3957
Pennsylvania	John Yodock	717-787-7003
Rhode Island	James R. Choquette	401-277-2297
South Carolina	Glynis Davis	803-737-1474
South Dakota	Tim P Flannery	605-773-3591
Tennessee	Julia Burton	615-253-4272
Texas	Owen Whitworth	512-463-8637
Utah	Stephen C. Reitz	801-965-4633
Vermont	Michael R. Pollica	802-828-3598
Virginia	Judson D. Brown	804-225-3597
Washington State	Wayne Donaldson	360-705-7004
West Virginia	Albert O. Adams	304-558-3101
Wisconsin	Dennis Schultz	608-266-3799
Wyoming	Jennifer Jessen	307-777-4391
Puerto Rico	Juan E. Encarnacion	809-729-1530
	Medina	
AASHTO Liaison	Roger Roberts	202-624-5803
FHWA Liaison	John Jeffers	404-562-3578

# <u>Uniform Audit Guide – AASHTO Regional Representatives</u>

<u>Region</u>	<u>Name</u>	Home State	Phone Number
			<u>Email</u>
Northeastern States	John Yodock	Pennsylvania	717-787-7003
(NAASHTO)			jyodock@state.pa.us
Southeastern States	John Greene	Florida	850-488-2501 ext 138
(SAASHTO)			john.greene@dot.state.fl.us
Midwestern States	Jerry Koerner	Wisconsin	608-267-3077
(Mississippi Valley)	·		gerald.koerner@dot.state.wi.us
Western States	Mickey Schwartz	Arizona	602-712-7334
(WAASHTO)	-		mschwartz@dot.state.az.us

# Acknowledgements:

Many people have contributed to this guide over the last few years. Their knowledge, time and travel money is greatly appreciated and represents a nationwide team effort. Some of the more significant contributors are listed below.

#### **Individual States**

Alabama C. Lamar McDavid Arizona Michael Schwartz Florida John Greene

Illinois David Campbell & Carl D. Richards
Iowa Tom Devine & Matt Swanson

Minnesota Lee Anderson Missouri Donna Ruder Nebraska Dave Vondra

New York Thomas J. Goodfellow

North Carolina Todd Jones
Pennsylvania John Yodock
South Dakota Mary Johnston
Tennessee Julia Burton

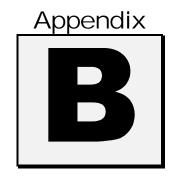
Wisconsin Randy Knoche & Jerry Koerner

# **FHWA Southern Resource Center**

John Jeffers & Michael Thomas

#### ACEC

Jim Anderson & Betsy Scott, HNTB Jennifer Foutts, Otak, Inc. Tim Stowe, Anderson & Associates Ray Williams, Ralph Whithead Associates, Inc. Mark Wilson, Kimley-Horn & Associates



# Appendix B Glossary of Terms

### The following terms are used throughout this guide:

# **Actual Cost Agreement**

The name Actual Cost Agreement does not mean that a consultant will be reimbursed for all actual costs incurred for performing a job. Costs are reimbursed subject to the limitations described in the agreement, contract, or specified criteria. These limitations can be very restrictive. An example is interest on borrowed money. This is a cost of doing business, yet it is not reimbursable as an actual cost of doing business.

#### **Actual Costs**

Amounts determined on the basis of costs incurred and supported by original source documentation, as compared to forecasted costs, or costs thought to have been incurred, or costs based on historical averages.

# **Advance Agreement**

An understanding included in an agreement by the contracting officer and the consultant as to the treatment of special or unusual costs not already included in FARs. The agreement must be in writing, executed by both the contracting parties, and incorporated into applicable current and future contracts. An advance agreement shall contain a statement of its applicability and duration. See 48 CFR 31.109.

### Agreement

A contract. A binding, legal, document which identifies the deliverable goods and services being provided, under what conditions, and the method of payment for such services. The document may include federal criteria and state requirements which will have to be adhered to by the state and the consultant. The document will usually indicate start and finish dates, record retention requirements, and other pertinent information relative to the actual work to be performed.

# **All-Inclusive Hourly Rate Agreement**

An agreement using an hourly rate developed for billing purposes which may include a firm's actual direct labor cost, overhead rate allowed or negotiated, and negotiated profit margin. Provisional hourly rates generally are temporary and will be adjusted by an audit. Negotiated hourly rates may be used for the life of an agreement, or may be adjusted from time to time depending on the agreement provisions.

### **Allocable**

A cost is allocable (to an agreement or cost of work being performed for the government) if it benefits both the agreement and other work of the firm and the cost can be distributed in reasonable proportion to the benefits of incurring that cost.

# Allowable (Cost)

An item of cost that can be billed directly as a project cost or indirectly as an overhead cost by the consultant.

### **Audit Cycle**

The series of steps auditors go through in completing their assigned work. The process includes a review of a firm's permanent file maintained by the Audit Office, preliminary audit work including scheduling of billed costs, arranging an appointment to conduct the audit, entrance conference, field work, review of a firm's documentation, exit conference, report write up, submittal of draft report to auditee for comment, and issuance of the final report.

#### **Audit Resolution Process**

The process SHA management and the auditee go through in resolving audit findings. It may involve negotiation of a settlement, legal counsel, and court procedures.

#### **Audit Trail**

The auditable record left by a transaction in a firm's accounting records from original source document into subsidiary ledgers through the general ledger and into financial statements and invoices.

# **Billing Rate**

The hourly rate being charged for work on an agreement. For a cost plus fixed fee agreement, the billing rate will be exactly the same as the employee's actual payroll rate. For an all-inclusive hourly rate agreement, the billing rate will include the actual payroll rate plus an overhead percentage plus an amount for fee.

# **Cognizant Audit**

This concept was developed to assign primary responsibility for the audit to one organization and to avoid duplication of audit work when auditing the indirect cost schedule. The audit work may be done by the home state auditors, a Federal audit agency, a CPA firm, or a non-home state auditor designated by the home state auditor.

### **Common Control**

Exists in related party transactions when business is conducted at less than arm's length between businesses and/or persons that have a family or business relation-ship. Examples are transactions between family members, transactions between subsidiaries of the same parent company, or transactions between companies owned by the same person or persons.

# **Contracting Officer**

A title sometimes used in private and public sectors to indicate the person having authority to enter into a contract or agreement for goods and services.

# Corporation

A business structure where stock is made available for purchase. The firm may have a president, vice president, treasurer, and secretary. Anyone working for the corporation is usually paid an hourly wage rate or is salaried. In theory, the liabilities of the individual stock owners are limited in this type of business structure.

#### **Cost Center**

A grouping of incurred costs identified with a specific final cost objective.

# **Cost Objective**

An agreement, contract, function or organizational subdivision for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capitalized projects, etc.

### **Cost of Money**

Facilities capital cost of money in an imputed cost determined by applying a cost-of-money rate to facilities capital employed in contract performance.

# **Cost Plus Fixed Fee Agreement**

An agreement in which all the cost factors except fee are actual cost. The fixed fee is a set dollar amount in the agreement.

# **Cost Principles**

The underlying basis for determining how costs should be recorded when they are allowable or unallowable, and the specific basis for treating various costs as either allowable or unallowable.

### **Courtesy Audit**

An audit performed for another state, another state agency, or city or county government. The audit could be a preaward, interim or post, with the requesting agency paying for the cost of the audit.

#### **Direct Cost**

Any cost that can be identified specifically with a particular final cost objective, i.e., a project related cost. Direct costs would include labor, materials, and reimbursables incurred specifically for an agreement. It is irrelevant whether or not the costs are actually billed. All direct labor costs must be included in the direct labor base. All costs for lump sum agreements must be included in direct costs.

#### **Entrance Conference**

A meeting between the auditor and the auditee, at which time the purpose and scope of the audit are discussed.

#### **Exit Conference**

A meeting held after the auditor completes field work at the auditee's place of business. Topics of discussion are preliminary findings of the audit, which are subject to change and revision during the supervisory work paper review process, and/or a formal request for the auditee's response to the draft audit report.

# Federal Acquisition Regulations (FARs) Code of Federal Regulations No. 48

Sets the criteria for allowable and unallowable costs for federally funded agreements. The FARs are also used as a guideline for other government contracting such as State contracts. Part 31.2 is the primary section pertaining to State Highway Agencies.

### **Finding**

A statement of noncompliance with the terms of an agreement. A finding includes the condition, criteria, cause, effect, and a recommendation for correction.

#### **General and Administrative Expenses**

Any management, financial, and other expense which is incurred by or allocated to a business unit, and which is for the general management and administration of the business as a whole.

# **Generally Accepted Auditing Standards (GAAS)**

These are standards for financial statement audits set forth by the American Institute of Certified Public Accountants. The standards pertain to auditors' professional qualifications, the quality of audit effort, and the characteristics of professional and meaningful audit reports.

# **Generally Accepted Governmental Auditing Standards (GAGAS)**

These are standards for audits of government organizations, programs, activities, and functions, and of government assistance received by contractors, nonprofit organizations, and other non-government organizations. These standards also incorporate GAAS for financial-related audits.

# **Indirect Cost**

Any cost not directly identified with a single, final cost objective, but identified with two or more final cost objectives or an intermediate cost objective. Consultants recover their indirect costs in their overhead rate.

#### **Interim Audit**

An audit, which may be of limited scope, during the life of an agreement. The purpose is to determine the actual allowable costs to date, review and adjust a firm's overhead rate, and audit a prime consultant's subcontracts. This audit follows a standard audit plan.

#### **Internal Control**

The plan of organization and methods and procedures adopted by management to ensure that its goals and objectives are met; that resources are used consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports.

# **Lump Sum (Fixed Price) Agreement**

An agreement where the method of payment for delivery of goods and services is one set amount that includes salaries, overhead, and profit with no adjustments. Once the lump sum amount is agreed upon, the services or goods must be provided regardless of the actual cost for the consultant.

# **Negotiated Hourly Rate Agreement**

An agreement in which hourly billing rates that include labor, overhead, and fee are negotiated in advance and are listed for a 12-month period.

### **Overhead Expenses**

All allowable general administrative expenses and fringe benefit costs (sometimes called payroll additives). Depending on the size of the firm, these costs may or may not be separately identified on a schedule of overhead costs.

#### **Overhead Rate**

A computed rate usually developed by adding together all of a firm's costs that cannot be associated with a single cost objective, including general and administrative costs, fringe benefit costs, then dividing by a base value, usually direct labor dollars, to get a percentage. This rate is applied to direct labor to allow a firm to recover the share of indirect costs allowable to the agreement.

Overtime

# **Overtime Compensation**

Compensation paid to employees who work more then a certain amount of hours within a pay period, usually 40 hours. The pay rate may be based on the normal salary rate or may include "premium overtime" such as time and a half, or double time. In most cases, premium overtime is required for hourly workers and is optional for certain salaried employees.

### **Partnership**

A business with two or more co-owners, who may or may not have established salaries. The liabilities of the firm are the owners' responsibility. Owners may be treated the same as sole proprietors by the auditors regarding the establishment of a salary rate.

#### **Post Audit**

An audit done after the completion of all work by a consultant. Its scope may include all billed costs by the prime consultant and/or any sub consultants providing services. This audit follows a standard audit plan.

#### **Preaward Review**

An audit conducted on behalf of SHA management for the purpose of validating financial information supplied by a potential consultant. The audit may require an on site visit or information may be reviewed at the Audit Office. Upon completion, the information is provided to the SHA contracting officer in an audit report for use during agreement negotiations. This audit follows a special pre-award audit plan.

# **Provisional Hourly Rate Agreement**

An agreement in which hourly billing rates that include labor, overhead, and fee are negotiated in advance, but are subject to adjustment after an audit determines actual labor and overhead rates.

#### **Reasonable Cost**

A cost, if in its nature and amount, does not exceed that which would be incurred by a prudent person in the conduct of competitive business.

# **Record of Negotiation**

A summary memorandum prepared by the SHA contracting officer regarding the reconciliation between the consultant's proposal and the SHA estimate. It includes contract rate negotiations, disposition of significant matters in the pre-award audit report, and reasons why audit recommendations were not followed. It is required by 48 CFR 42.706(b).

# **Single Audit**

In theory, an audit which satisfies the needs of all parties involved with funding or doing business with an organization, either private or public.

# **Sole Proprietorship**

A business with one owner. From an audit standpoint, this person may not have an established salary, but instead may rely on draws from the profits of the firm to obtain their payment for services.

#### **Source Documentation**

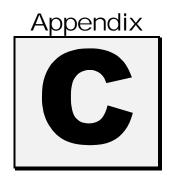
Original documents, including but not limited to time sheets, invoices, hotel receipts, rental slips, gasoline tickets, canceled checks, tax returns, insurance policies, minutes of corporate meetings, etc., which support the costs recorded in the firm's accounting ledgers and which may be used for billing purposes to the government or for income tax purposes.

# **Task Assignment Agreements**

An agreement without a definite description of work, but with a specified time period. Tasks which require the consultant's expertise are assigned as needed. Each task will have its own maximum payable amount. The total amount paid on all of the tasks cannot exceed the total amount of the agreement.

# **Unallowable (Cost)**

An item of cost which cannot be billed directly or indirectly by a consultant. These types of costs, if found during an audit will be purged from the costs billed directly, or from those billed indirectly via an overhead rate or cost center. When an unallowable cost is incurred, its directly associated costs are also unallowable.



# Appendix C - Listing of Resource Materials

This section provides a listing of resource materials that are commonly used as guides by auditors in performing government contract audits. The listing is not all-inclusive but attempts to highlight the most frequently used materials. While paper copies are available most of the publications are now also available on CD ROM disks or via the Internet. These are especially useful because of the built-in search features that enable the users to quickly find specific information. The listing is presented in the order of most useful or relevant first followed by publications that are least useful.

# Government Auditing Standards ("Yellow Book")

<u>Published by:</u> United States General Accounting
Office (GAO),By the Comptroller General
(Current version available at:

### Purpose: (quote from introduction)

"This document contains standards for audits of government organizations, programs, activities, and functions, and of government assistance received by contractors, nonprofit organizations, and other nongovernmental organizations. These standards, often referred to as generally accepted government auditing standards (GAGAS), are to be followed by auditors and audit organizations when required by law, regulation, agreement, contract, or policy. The standards pertain to auditors' professional qualifications, the quality of audit effort, and the characteristics of professional and meaningful audit reports."

# Federal Acquisition Regulations (FARs)

#### Published jointly by:

United States Department of Defense (DOD), General Services Administration (GSA) and National Aeronautics and Space Administration (NASA)

### Format:

Available in paper, CD ROM and on the Internet at <a href="www.arnet.gov/far.">www.arnet.gov/far.</a>
Another good source is at the Federal Government main home page which is <a href="www.firstgov.gov">www.firstgov.gov</a>, then search for "Federal Acquisition Regulations."

### Contained in:

Code of Federal Regulations at 48 CFR Chapter 1

#### Relevant Part:

Part 31 - Contract Cost Principles and Procedures

#### Purpose:

Provides primary authoritative guidelines for acquisition of supplies and services by government agencies. Provides detailed explanations of specific rules for allowable and unallowable costs.

### DCAA Contract Audit Manual

### Published by:

United States Department of Defense, Contract Audit Agency (DCAA)

#### Formats:

Two volume set of paper manuals published twice per year

Available on CD ROM called "Defense Acquisition Deskbook"

Available on the Internet at: http://www.deskbook.osd.mil or\_

# <u>www.dcaa.mil</u>

Purpose: (quote per manual)

"It prescribes auditing policies and procedures and furnishes guidance in auditing techniques for personnel engaged in the performance of the DCAA mission."

# American Institute of Certified Public Accountants (AICPA)

### Published by:

The AICPA is the premier national professional association for CPAs in the United States. This organization produces numerous publications to assist accountants and auditors in following accounting principles and auditing standards.

#### Formats:

- 1. AICPA materials are generally available in hard-copy form in a variety of formats including Audit & Accounting Guides, Audit Guides, Professional Standards Binders, Statements of Position, Newsletters, Exposure Drafts and others.
- 2. All of the AICPAs professional literature is available on CD-ROM with built in search capabilities.
- 3. Many of the materials are available on the Internet at the AICPA website which is: http://www.aicpa.org

#### Partial Listing of Helpful Materials:

- 1. AICPA Professional Standards (Two Volume Set)
- 2. Audits of Federal Government Contractors Audit and Accounting Guide (1998)
- 3. Auditing Recipients of Federal Awards: Practical Guidance for Applying OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations (1998)
- 4. Codification of Statements on Auditing Standards as of January 1, 2000
- 5. Accounting Trends and Techniques -CD-ROM
- 6. Audit Sampling Auditing Practice Release
- 7. Auditing in Common Computer Environments Auditing Practice Release

# Accounting Standards - Current Text

Published by:

Financial Accounting Standards Board

Format:

Hard-copy 3 volume set

#### Purnose:

This guide is an integration of currently effective accounting and reporting standards. Material is drawn from AICPA Accounting Research Bulletins, APB Opinions, FASB Statements of Financial Accounting Standards, and FASB Interpretations. While its focus is primarily publicly-traded corporations, some of the material may be helpful for government auditors.



Appendix D - Listings, Tools and Examples

- D-2. Listing of Common Unallowable Expenses
- D-3. Example of Schedule of Indirect Costs (Home & Field Office Rates)

# Listing of Common Unallowable Expenses

The following table provides a listing of expenses that are generally not allowed (under provisions of the Federal Acquisition Regulations, part 31.2) by commercial enterprises performing contracts for the government. The list identifies transactions that are commonly incurred by consulting engineering firms.

FAR	
<u>Reference</u>	<u>Unallowable Expenses</u>
2001010100	<u> </u>
31.205-1	Advertising
31.205-1	Trade Show Expenses
31.205-1	Trade Show Labor
31.205-1	Promotional Material/Brochures
31.205-1	Souvenirs/Imprinted Clothing Provided to Public
31.205-1	Membership in Civic and Community Organizations
31.205-3	Bad Debts
31.205-3	Collection Costs
31.205-6	Personal Use of Company Vehicles
31.205-8	Contributions or Donations
31.205-13	Employee Gifts & Recreation
31.205-14	Membership in Social/Dining/Country Clubs
31.205-14	Social Activities
31.205-15	Fines/Penalties
31.205-19	Key-Man Life Insurance
31.205-19	Re-Work Insurance
31.205-20	Interest Expense
31.205-22	Lobbying Costs
31.205-27	Organization/Re-organization Legal Fees
31.205-27	Organization/Re-organization Accounting Fees
31.205-27	Organization/Re-organization Incorporation Fees
31.205-27	Organization/Re-organization Labor
31.205-27	Capital Raising (Equity or LT Debt) Legal Fees
31.205-27	Capital Raising (Equity or LT Debt) Accounting Fees
31.205-27	Capital Raising (Equity or LT Debt) Lender Fees
31.205-30	Patent Costs
31.205-33	Retainer agreements
31.205-35	Relocation Costs (If Over \$1,000)
31.205-46	Travel Costs in Excess of FTR Rates
31.205-49	Goodwill
31.205-51	Alcoholic Beverages

# Schedule of Indirect Costs

Example: (Showing Field Plus Home Office Rates)

#### Sample Engineering, Inc. Schedule of Indirect Costs & Rate Calculation For the Year Ended December 31, 1999

DIRECT LABOR:

Home Office Field Office 1,343,665 948,220

\$ 2,291,885

			\$ 2,291,885		
	A 11 1.1 .	** ** **		Allocation	
	Allocable Expenses	Unallowable Expenses	Allowable Expenses	Field Office	Home Office
FRINGE BENEFITS	Expenses	Expenses	Expenses	Field Office	Home Office
Insurance - Group	\$ 111,354	\$ -	\$ 111,354	\$ 46,070	\$ 65,284
Insurance - Life	4,197	(670)	3,527	\$ 1,459	2,068
Payroll - Bonus	164,650	0	164,650	\$ 68,121	96,529
Payroll - Holiday	83,722	0	83,722	\$ 34,638	49,084
Payroll - Sick	22,343	0	22,343	\$ 9,244	13,099
Payroll - Vacation	90,838	0	90,838	\$ 37,582	53,256
Payroll - Taxes	240,003	0	240,003	\$ 99,296	140,707
Total Fringe Benefits	\$ 717,107	\$ (670)	\$ 716,437	\$ 296,411	\$ 420,026
GENERAL OVERHEAD					
Indirect Labor	621,191	0	621,191	\$ 257,005	364,186
Accounting & Legal	9,357	0	9,357	1,224	8,133
Advertising & Promotion	3,362	0	3,362	440	2,922
Auto Expense	60,665	(3,413)	57,252	7,489	49,763
Computer Service	6,288	0	6,288	822	5,466
Continuing Education	7,407	(972)	6,435	842	5,593
Convention & Seminars	5,144	0	5,144	673	4,471
Depreciation & Amortization	138,625	0	138,625	18,132	120,493
Dues, Memberships, Licenses	4,590	(320)	4,270	559	3,711
Employee Welfare	11,197	0	11,197	1,465	9,732
Equipment Rental	23,481	(1,622)	21,859	2,859	19,000
Insurance - Auto & Trucks	29,683	(2,908)	26,775	3,502	23,273
Insurance - General	204,035	(49,973)	154,062	20,151	133,911
Insurance - Workers' Comp	17,584	(5,455)	12,129	1,586	10,543
Miscellaneous Expenses	5,189	0	5,189	679	4,510
Office Supplies & Expenses	79,429	0	79,429	10,389	69,040
Postage & Delivery	15,557	0	15,557	2,035	13,522
Professional Fees	32,259	0	32,259	4,220	28,039
Rent - Building	100,173	0	100,173	13,103	87,070
Repairs & Maintenance	42,831	0	42,831	5,602	37,229
Subscriptions	6,178	0	6,178	808	5,370
Survey Supplies	24,318	0	24,318	3,181	21,137
Taxes	11,923	0	11,923	1,560	10,363
Telephone	38,299	0	38,299	5,010	33,289
Travel	15,476	(65)	15,411	2,016	13,395
Utilities	20,732	0	20,732	2,712	18,020
Gain on Sale of Assets	0	500	500	65	435
Contributions	698	(698)	0	0	0
Entertainment	9,851	(9,851)	0	0	0
<b>Total General Overhead</b>	\$ 1,545,522	\$ (74,777)	\$ 1,470,745	\$ 368,127	\$ 1,102,618

#### Notes

**Indirect Cost Overhead Rate** 

95.43%

70.08%

113.32%

Fringe Benefit Allocation: Field = 31.26% of Field DL Home = 31.26% of Home DL General OH Allocation: Field = 38.82% of Field DL Home = 82.06% of Home DL

<sup>(1)</sup> Indirect salaries were allocated to field office on the basis of direct labor.

<sup>(2)</sup> Indirect expenses were allocated to field office based on a ratio of allocated indirect salaries to total home office salaries.